



Congressman Pedro R. Pierluisi  
Five-Minute Floor Statement as Prepared for Delivery  
“The Forthcoming Legislation on Puerto Rico”  
*February 10, 2016*

Mr. Speaker:

Congress will hold its eighth hearing on Puerto Rico later this month. At the direction of Speaker Ryan, the Natural Resources Committee will then lead an effort to craft legislation for the territory. There is now a sufficient record upon which to base legislative action. The record demonstrates that there is not a single crisis in Puerto Rico, but a series of intertwined crises. It is an economic crisis, a fiscal crisis, a liquidity crisis, a debt crisis, a migration crisis, and a public administration crisis. If you visualize Puerto Rico as a tree, and each crisis as a withering branch, the root of the tree is Puerto Rico’s unequal and undignified political status. While the immediate aim is to mend the branches, ultimately we will need to attack the problem at its root—and that means Puerto Rico must become a state or a sovereign nation.

Last week, Antonio Weiss, a senior Treasury Department official, stated as follows:

There is no question that status is vitally important. Why are we proposing that restructuring authorities, and the earned income tax credit, and fair Medicaid treatment be provided to Puerto Rico? Well, as a territory, Puerto Rico’s status

does not afford it adequate tools in those three areas. So we believe that we need to afford the Commonwealth those tools that it needs [so] it can navigate this crisis.

And we agree that over a long period of time, status has contributed to this crisis.

Since the problem in Puerto Rico has multiple dimensions, the legislative solution should as well.

First, the bill must empower Puerto Rico to restructure a meaningful portion of its debt. The bill could provide a period in which consensual negotiations between bond issuers and their creditors, mediated by neutral experts, can take place. If those negotiations do not bear fruit, the Puerto Rico government should be empowered to authorize its instrumentalities to adjust their debts under Chapter 9 of the federal bankruptcy code, a right that every state has and that Puerto Rico used to have. Puerto Rico's congressionally-approved constitution provides that bonds issued or guaranteed by the central government receive priority payment. What binds us together as Americans—and Puerto Ricans are proud American citizens—is our commitment to the rule of law. While I do not believe that Congress should override Puerto Rico's constitution, I do expect all creditor classes, including GO bondholders, to make concessions for the public good that will ultimately benefit all stakeholders. I sense that a bipartisan consensus is finally emerging in support of reasonable debt restructuring authority for Puerto Rico.

Second, the bill should address the outrageous disparities that Puerto Rico faces under key federal programs, a main driver of our deficits and debt. Consider that, historically, Puerto Rico received \$300 million dollars in annual Medicaid funding, while similar-sized Oregon receives \$5 billion dollars. I challenge any state to run a decent Medicaid program with that insulting sum without over-borrowing in the capital markets. Impossible.

Finally, the Puerto Rico government has a record of fiscal mismanagement. This is a painful fact, but a fact nonetheless. We must face up to it, resolve to do better, and welcome some temporary assistance. I would support the creation of an independent board to approve the Puerto Rico government's financial plan and annual budgets and to help ensure they are adhered to.

But past is not always prologue. There is no reason why future Puerto Rico leaders cannot embrace fiscal discipline—as distinct from austerity—and rapidly put the oversight board out of business. And Congress should be careful about casting moral judgment on Puerto Rico, since the federal government has a \$14 trillion dollar debt that is 75 percent of GDP. We in Puerto Rico are responsible for our actions, but Congress is responsible for its actions—and inaction—as well.

A balanced board will obtain buy-in from government, business and labor leaders in Puerto Rico, and can serve as a bridge to a brighter future. However, a punitive board that disrespects my constituents and tramples on the principle of states' rights will transform me from an ally to an adversary very quickly.